

JUMBO MINING CO.

6305 Fern Spring Cove
Austin, Texas 78730
(512) 346-4537
Telex # 76-7177

April 27, 1989
File: OGM4279

Mr. Lowell P. Braxton
Administrator
Mineral Resource Development
and Reclamation Program
Department of Natural Resources
Division of Oil, Gas and Mining
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203

DOGM
MINERALS PROGRAM
FILE COPY

Dear Mr. Braxton:

Re: M-23/013; Draft Letter 4/4/89 and Telcon 4/26/89

We have the following comments in response to your Draft Letter, dated April 4, 1989, and will address these in the same order as given in your letter.

1.0: ACID FORMING CONSTITUENTS:

In our conference in your offices on April 4th, my notes indicate that we agreed that Holland Shepherd would take suitable soil samples (for sodium analysis) to make sure that these samples were truly representative and acceptable to all concerned. Please let us know if there is anything we can do on this item.

3.3: Waste dump slope angles and revegetation of these slopes:
(R613-004-109, paragraph 6)

We have requested a variance to allow for the side slopes of waste dumps, as well as uncrushed leach pads, to be left at the natural angle of repose of the rock as dumped. We believe that this variance is fully justified by the local conditions and the confused permit record, and request that this subject be reviewed during the joint visit to the site with the BLM officials, scheduled on May 12th.

Our notes indicate that the Division has tentatively agreed that all waste-rock dump slopes will be left at the natural angle of repose. However, regarding the heap leach dumps, our position is that those pads which were build out of uncrushed rock should remain at the natural angle of repose, while those to be built in the future from rock crushed to minus 1" in size would be regraded to a 3:1 slope.

6.0: OPERATIONAL PRACTICES--SOILS:

6.2 & 6.3: Soil nutrient and toxicity information is required by the Division. We propose that this information be obtained on the samples to be taken by Holland Shepherd, mentioned above.

ENTRY NO. **188891**RECORDED AT 11:22:28 AM AT 7:22 M. BOOK 33 PAGE 878
REQUEST OF *Asoma (Utah) Inc.*
FEE PAID CRAIG J. SPERRY, Juab County Recorder
\$ 17.50 By *Jean B. Johnson* DeputyQUITCLAIM DEED AND ASSIGNMENT

THIS QUITCLAIM DEED AND ASSIGNMENT, effective the 12th day of October, 1988, is from WESTERN STATES MINERALS CORPORATION, a Utah corporation ("Assignor"), whose address is 4975 Van Gordon Street, Wheat Ridge, Colorado 80033, to ASOMA (UTAH) INC., a Delaware corporation ("Assignee"), whose address is 6305 Fern Spring Cove, Austin, Texas 78730.

In consideration of Ten Dollars (\$10.00) and other valuable consideration, and further in consideration of the mutual covenants, agreements, and promises herein contained, the parties hereto agree as follows:

1. Quitclaim. Assignor quitclaims to Assignee the unpatented lode mining claims more particularly described in Exhibit A attached hereto and incorporated by reference herein.
2. Assignment. Assignor assigns to Assignee all the right, title, and interest of Assignor in and to those certain leases, agreements, and permits described in Exhibits B through E attached hereto and in an to BLM right of way No. U-51906.
3. Indemnity. Assignee agrees to comply with and to be bound by the terms and conditions of said leases, agreements, and permits and shall indemnify and hold harmless Assignor from any claims, damages, costs, or expenses (including attorneys' fees) resulting from any default under said leases, agreements, and permits after the date of this Quitclaim Deed and Assignment or from any operations or activities of Assignee after the date of this Quitclaim Deed and Assignment on or in connection with the lode mining claims or the properties covered by the leases, agreements, and permits. Assignor shall be responsible for all reclamation on the lode mining claims and the properties.
4. Royalty. (a) Assignor reserves, and Assignee shall pay to Assignor, a production royalty of five percent (5%) of the Net Smelter Returns from all minerals, including by products and co-products thereof, produced and sold from the lode mining claims described in Exhibit A, and one percent (1%) of the Net Smelter Returns from all minerals, including by-products and co-products thereof, produced and sold from the properties covered by the leases, agreements, and permits described in Exhibits B through E.

(b) "Net Smelter Returns" means the actual proceeds of sale received by Assignee from the sale of ore, ore concentrates, bullion or other products mined, produced, and sold from the lode mining claims and the properties from a smelter, refinery

929

b) A question as to recontouring of slopes of various heaps and dumps to a 1:3 grade. To date we have made no progress in getting the Department of Health to rescind the prohibition against further use of heaps No.'s 1, 2 & 3 LG, plus No. 6 & 7 HG. This prohibition occurred before our take-over on October 12, 1989, and would (unless we can get them to allow us to continue leaching of these heaps) place the responsibility for the reclamation of these five heaps squarely in Western's lap. As much as we would like to, we are prohibited from undertaking further operations on these heaps.

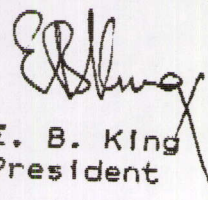
In a similar manner there are a number of waste dumps which we do not plan to use in the future, and these become Western's responsibility.

Please be advised that in our mutual interest, we plan to submit a formal request for a variance from the requirement to recontour the side slopes of various heaps and dumps. In our opinion this requirement is not justified by the local circumstances, including past and future land use, and many other factors. In the event that our request for a variance is approved, it is likely that the same variance may apply to heaps which are the responsibility of WSMC.

In conclusion we call upon you to act with all due haste to correct the deficiencies existing at the time of our take-over of the properties so that we may move forward and finalize matters with the relevant authorities.

Sincerely,

Asoma (Utah), Inc.


E. B. King
President

E.B. KING

6305 FERN SPRING COVE
AUSTIN, TEXAS 78730

April 17, 1989

File: WS4169

Mr. Allan R. Cerny
Land Manager
Western States Minerals Corporation
4975 Van Gordon Street
Wheat Ridge, CO 80033

Dear Al:

In response to your letter dated March 13, 1989 in which you inquire as to our "taking over the permits and the reclamation responsibility...", on the Drum Mine properties which we have purchased from WSMC, please be advised as follows:

1) I have informed you by telephone that we have had various meetings with the State officials regarding the consolidation of the permits and bonds to encompass our contemplated mining activities on nearby properties which were not acquired from Western States. By their rules this consolidation is necessary before issuing updated and modified permits and in setting the revised reclamation bond amounts.

2) During these meetings it has become apparent that several major permit and reclamation problems existed prior to our takeover of the property, and that these problems are clearly the responsibility of Western States.

For your ready reference, I am attaching a copy of the first page of the QUITCLAIM DEED AND ASSIGNMENT which clearly delineates the responsibilities of WSMC and Asoma (Utah), Inc. in this matter. This document has been recorded in both Juab and Millard Counties, and, as a matter of public record, is available to the State authorities, among others.

You will note under paragraph 3, that the Assignee (Asoma (Utah), Inc.) indemnifies the Assignor (WSMC) for, and is responsible for acts (presumably including reclamation events caused by its operations and activities) only AFTER the date of this Quitclaim Deed and Assignment... ASSIGNOR SHALL BE RESPONSIBLE FOR ALL RECLAMATION ON THE LODE MINING CLAIMS AND THE PROPERTIES. (Caps added for emphasis.)

3) Please be advised that we have essentially completed our reclamation negotiations with the State on our separate, adjacent properties. Additionally we have pretty much concluded our discussions on the reclamation of those areas on the properties purchased from WSMC which we plan to disturb SUBSEQUENT TO OUR TAKEOVER of these properties. Two serious matters remain open, however:

a) 54,000 cubic yards of topsoil, which WSMC allegedly agreed to set aside for reclamation purposes, is nowhere to be found, now nor was it at the time of our takeover.

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M-81

DRUM

DIVISION OF AREAS - JUMBO / WESTERN

LEGEND

DRUM MINE DISTURBED AREAS--JANUARY, 1989
(Based on Aerial Photography of July, 1987)
(After Partial Reclamation by WSMC)

HEAP LEACH PADS--Color Green:

HG-1	5.53 acres	JUMBO - 26.29
HG-2	8.74 "	
HG-3	3.60 "	
HG-4 & 5	8.42 "	
HG-6	1.65 "	WSMC - 16.34
HG-7	5.65 "	
LG-1	2.05 "	
LG-2	3.13 "	
LG-3	3.86 "	JUMBO - 3.09
Ponds	3.09 "	

Total..... 45.72 acres

ROADS--Color Brown:..... 23.21 " JUMBO

WASTE DUMPS--Color Purple:

1.0 - W-1	10.92 acres	25.38 - WESTERN
W-2	6.37 "	
W-3	3.62 "	
W-5	2.97 "	
1.5 - W-4	1.5 "	22.88

TOTAL..... 23.88 "

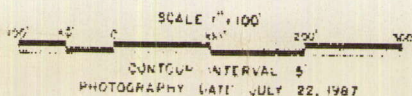
RAMPS--Color Yellow: 25.38

No.1 Pit 7.45 acres
No.2 Pit 4.40 acres } ALL JUMBO

TOTAL..... 11.85 "

GRAND TOTAL..... 104.66 acres

+ 1.5 (W-4)
106.16



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REVISED DRUM MINE RECLAMATION ESTIMATE--JUMBO MINING COMPANY

File: OGMRECL1

April 27, 1989

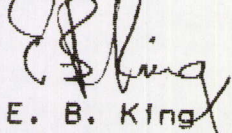
JMC = Updated Figures per meeting 4/4/89 Jumbo responsibility.

WSMC = Areas not disturbed by Jumbo after takeover. WSMC responsibility

DESCRIPTION	QUANTITY	UNITS	\$/UNIT	COST (\$)
WSMC	JMC	BOTH	WSMC	JMC
WSMC	JMC	WSMC	JMC	
DRUM MINE PIT & DECLINE RECLAMATION				
1) Remove trash	20	* acres	100	2000
2) Construct berms on highwalls	1190	* feet	4.7	5593
3) Construct Seal 100' in portal	4	* total	0	5000
4) Backfill portal	2000	* cuysd	0.6	1200
5) Rip roadways in pits	12	* acres	150	1800
6) Revegetate	11.85	* acres	163	1931.5
Subtotal				17524
HEAP LEACH PAD RECLAMATION				
7) Decommission heap leach pads	16.34	* acres	?	14300
8) Remove trash from tops of heaps	16.34	* acres	100	1634
9) Grade pads to 3h:1v slope	16.34	* acres	?	0
10) Haul and spread topsoil	?	* cuysd	0.6	0
11) Revegetate	16.34	* acres	140	2287.6
Subtotal				21351
DRUM MINE WASTE DUMPS RECLAMATION				
13) Remove trash	25.38	* acres	100	2538
14) Grade to 3h:1v slope	25.38	* acres	430	10913
15) Revegetate	25.38	* acres	140	3553.2
Subtotal				17004
FACILITIES RECLAMATION				
16) Demolish & dispose of buildings	0	* sqft	2.9	14500
17) Remove fence line	0	* feet	1.2	18787
18) Plug drill holes	?	* each	100	3000
19) Remove trash	0	* acres	100	4000
20) Rip roads	0	* acres	150	3495
21) Revegetate	0	* acres	140	5600
Subtotal				49382
Total all items				89933
Add Contingency 10%				8993.3
TOTAL RECLAMATION COST 1988 DOLLARS				98926
TOTAL RECLAMATION COST 1993 DOLLARS @ 2.3% ANNUAL INFLATION				110599

In conclusion, it is our contention that by either route the State will be fully bonded for reclamation requirements for all parts of the Drum Mountain Project, and thus there should be no excuse to impose on our company, nor on the surrounding community the economic hardship which will be caused by further denial of permission to proceed with this development. We presently are employing 20-30 people on this project and their livelihood is dependent on a day-to-day basis on your decisions.

Sincerely,


E. B. King

cc: F. Rex Rowley, BLM, House Range Resource Area
Don Osler, State Health
Jerry Mansfield, State Lands

have now been inactive for nearly a year. During this time, rain, snow, and atmospheric neutralization forces have likely done most of the job of cyanide removal. Thus we anticipate a few days only of sprinkling will be required to confirm that the cyanide levels have in fact declined to acceptable levels.

We believe that the above covers all matters which were left open with the exception of those items which are dependent on the top-soil question and the division of responsibility for reclamation as between Western States and Jumbo Mining Company.

We have provided you with a copy of the page of our agreement with Western States which relates to the reclamation issue, and we have verbally provided you with our interpretation of this agreement in our meeting in your offices on April 21st. In addition I indicated to you that we had written Western on April 17, 1989 and requested them to proceed "with all due haste to correct the deficiencies existing at the time of our take-over of the properties so that we may move forward to finalize matter with the relevant authorities." Please find enclosed a copy of this letter, to which we have had no reply as of this date.

In our telephone conversation yesterday I promised to provide you with a map, delineating those areas on which Western has full reclamation responsibility, and those areas on which we accept reclamation responsibility (except for the topsoil which was not stockpiled on the date of our take-over). Please refer to page 6 of this letter, which is a copy of the legend of the map sent to you on February 27, 1989. On this legend I have marked those areas which will be disturbed by Jumbo subsequent to the take-over of the property, and those which remain the responsibility of WSMC.

In addition, I am including a revised Reclamation Cost Estimate schedule (page 5 hereof) which reflects the impact of all matters discussed above. In summary, as shown on this schedule, we are prepared to post promptly a reclamation bond for the amount shown thereon (\$110,599), plus the additional amount of \$19,000 agree upon with the Division per the 11/25/88 memo to cover the Alto/Ibex, for a total of \$130,000 in round numbers. We suggest that you retain such additional amount of Western's bond as you feel necessary to cover their remaining liabilities.

And finally, we hope that our posting of this bond, additional to that which you hold of Western (\$264,000) will more than adequately secure the States requirements for reclamation. Thus we would urge you again to let us start our operations on the Alto/Ibex project which has been pending since last July. If, in the alternate, you feel that the Division needs additional time to negotiate matters with Western before finally concluding matters on the Drum Mine, then we would urge that you accept our separate additional bond for the Alto (on which we have had agreement for some time) and let us start roadwork, stripping, etc. while matters are resolved with Western.

Three other matters remained to be addressed as a result of the April 4th meeting:

a) Fence reclamation cost: We believe that a figure of \$18,787 is excessive, particularly when it is probable that some or all of this fence will need to be retained for a considerable period of time, if not indefinitely, to protect the newly reseeded areas from the thousands of sheep which periodically graze the area. However, we have not had time to secure other bids on the job and thus have no substantiation for revision at this time.

b) Pipeline removal: We will submit separately a detailed equipment cost list which will show a cost total for the pipeline materials which are to be salvaged of \$118,145. We have obtained one bid for payment to us of \$10,000 for the pipeline materials, where is and as is. This bid includes the removal of the pipeline, cleanup, and recontouring where necessary. The contractor receives title to all pipeline materials removed. We have reason to believe that we will be able to obtain bids which will provide higher payments to us than this one.

In any event we contend that this documentation should be sufficient to remove any question about providing a bond for this item.

c) Decommissioning heap leach pads:

Our plan is to neutralize the protective alkalinity of the leach solutions using carbon dioxide in air, absorbed by the solutions during sprinkling. This causes the removal of the cyanide by oxidation and volatilization during the continued operation of the sprinkling systems. When the free cyanide in the solutions draining from the bottoms of these heap leach pads remains below 1 ppm for 10 consecutive days, the sprinkling will be stopped, and other reclamation activities will be commenced (sprinkler removal, reseedling, etc.).

Our experience indicates that this cyanide removal phase will require 30 to 60 days of continued operation of the circulating system, no chemical additions will be required, and that some gold will be recovered in the process. Ignoring this gold value, we estimate our costs for decommissioning as follows:

Labor: One man, living on property, to run pumps and check pH and cyanide on daily basis for two months.....	\$5,000
Fuel & Maintenance for existing 125 kva generator, from experience est. @ \$4,000/month.....	\$8,000
Escalation & contingencies, 10%.....	\$1,300
Total.....	\$14,300

This estimate covers the decommissioning of the five heaps which were permitted as of the date of take-over of the property by Jumbo Mining Company. If the other, "blacklisted" heaps are re-permitted in the future and are leached again, additional monies should be provided for their decommissioning. If these heaps are not leached again, it is contemplated that no additional monies will be required, as these heaps